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November 26, 2004

Mary L. Cottrell, Secretary
Department of Telecommunication and Energy
One South Station, 2nd Floor
Boston, MA 02202

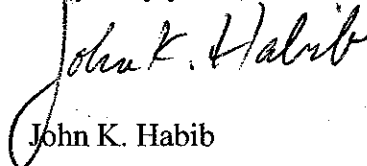
Re: D.T.E. 04-70 — Petition of Boston Edison Company and Commonwealth Electric Company d/b/a NSTAR Electric for Approvals Relating to the Issuance of Rate Reduction Bonds Pursuant to G.L. c. 164, § 1H

Dear Secretary Cottrell:

Enclosed please find the responses of Boston Edison Company and Commonwealth Electric Company d/b/a NSTAR Electric (the "Companies") to discovery questions asked by the Department of Telecommunications and Energy in the above-referenced proceeding, as listed on the following Discovery Log.

Thank you for your attention to this matter.

Very truly yours,


John K. Habib

Enclosures

cc: Service List
Joan Foster Evans, Hearing Officer (2)
Colleen McConnell, Assistant Attorney General (2)

LOG OF RESPONSES FILED

D.T.E. 04-70

November 26, 2004

AG-1-1	Filed November 23	Attachment AG-1-1 BULK CD-ROM
AG-1-2	Filed November 23	
AG-1-3	Filed November 23	Attachment AG-1-3 CD-ROM
AG-1-4	Filed November 23	Attachment AG-1-4 (a) BULK CD-ROM Attachment AG-1-4 (b)
AG-1-5	Filed November 23	Attachment AG-1-5
AG-1-6	Filed November 23	Attachment AG-1-6 BULK CD-ROM
AG-1-7	Filed November 23	Attachment AG-1-7
DTE-1-1	Filed Herewith	
DTE-1-2	Filed Herewith	
DTE-1-3	Filed Herewith	
DTE-1-4	Filed Herewith	
DTE-1-5	Filed Herewith	
DTE-1-6	Filed Herewith	Attachment DTE-1-6(a) Attachment DTE-1-6(b) Attachment DTE-1-6(c) CONFIDENTIAL
DTE-1-7	Filed Herewith	
DTE-1-8	Filed Herewith	Attachment DTE-1-8 CONFIDENTIAL
DTE-1-9	Filed Herewith	
DTE-1-10	Filed Herewith	
DTE-1-11	Filed Herewith	
DTE-1-12	Filed Herewith	
DTE-1-13	Filed Herewith	
DTE-1-14	Filed Herewith	Attachment DTE-1-14 CONFIDENTIAL
DTE-1-15	Filed Herewith	
DTE-1-16	Filed Herewith	
DTE-1-17	Filed Herewith	

Information Request DTE-1-1

Refer to Page A-15 of the Draft Order submitted by the Companies. When the sale of the PPA savings to the Special Purpose Entity occurs, do the Companies stand to make a profit on the sale?

Response

No, the Companies will not earn any profit on the sale of transition property.

Information Request DTE-1-2

Refer to Page A-25 of the Draft Order submitted by the Companies. What methodology (e.g., comparative surveys, industry experience) do the Companies employ in establishing the service fee?

Response

To support the true sale/bankruptcy analysis, the servicing obligation must be provided on arm's-length terms and compensated on market-based rates.

The proposed servicing fee is within the range of servicing fees paid in other rate reduction bond transactions and is identical to the servicing fee approved in D.T.E. 98-118. Please refer to the list of servicing fees provided as part of response to Information Request AG-1-5.

Information Request DTE-1-3

Refer to Exh. NSTAR-COM-GOL-1. Explain why the Companies calculate the securitization issuance fee by including the fee itself (1.47 percent) in the principal amount sought. Explain whether this [is] double counting the fee.

Response

Exhibit NSTAR-COM-GOL-1, line 9 shows issuance costs of \$1.407 million, which is calculated as 1 percent of the total securitization balance (line 8). Since the issuance cost is securitized, as is allowed under the statute (see G.L. c. 164, § 1H(a), "Transition Property" includes the right to recover transition costs and "the costs of providing, recovering, financing and refinancing the transition costs, including the costs of issuing, financing, servicing and retiring electric rate reduction bonds"), the calculation is performed as taking the per-securitization balance on line 8 dividing it by 99 percent and multiplying it by 1 percent as explained in the reference column on line 9. By doing so the issuance cost on line 9 is 1 percent of the securitization total of \$140.668 million on line 10.

There is no double counting of the fee. However, there is a small increase in the securitization because the Companies incur issuance costs on the amount of the RRBs required to finance the issuance costs. This amount is minimal, being 1 percent of the issuance fee, or approximately \$14,000.

Information Request DTE-1-4

Refer to Exh. NSTAR-EGO at 13. Are all of the various tranches described fixed rate debt instruments?

Response

All of the various tranches will be fixed-rate debt instruments.

Information Request DTE-1-5

Refer to Exh. NSTAR-EGO at 22, at lines 13-14. Reconcile the statements regarding the necessity for credit enhancement with the Companies' contributions of \$165,938 for Boston Edison and \$255,625 for Commonwealth as identified in Exh. NSTAR-EGO at 15-16.

Response

There are at least two forms of credit enhancement (in addition to the true-up mechanism described in Exhibit NSTAR-EGO) that will be required by the Rating Agencies. The first form is the capital subaccount, which will be contributed by the respective Companies. Each company at closing is expected to contribute 0.5 percent of the initial principal balance of the SPE's Debt Securities to the Capital Sub Account. This is the minimum capital contribution allowed under Internal Revenue Service rules and is necessary to obtain the appropriate rating from the Rating Agencies.

The second form of credit enhancement required by the Rating Agencies is the funding of the over-collateralization account. The amount of over-collateralization for an SPE is expected to be 0.5 percent of the initial principal balance of the SPE's Debt Securities, which the Companies will collect in equal amounts on each payment date over the expected life of the RRB Transaction. The \$165,938 for Boston Edison and the \$255,625 for Commonwealth as identified in Exhibit NSTAR-EGO at 15-16 represents the annual over-collateralization amounts expected to be funded in equal installments on each payment date. These amounts were derived by multiplying 0.5 percent by the principal amount of the SPE's Debt Securities (\$265.5 million for Boston Edison's SPE and \$409.0 million for Commonwealth's SPE) and then dividing by 8 years, which is the expected final maturity of the longest tranche.

Although NSTAR Electric does not anticipate that other credit enhancement (in addition to the capital sub-account and the over-collateralization account) will be required in connection with the RRB transaction, initial or ongoing costs might also include such additional credit enhancement if ultimately required by the Rating Agencies to assure the highest possible rating for the RRBs in order to maximize customer savings.

The credit enhancements described above are consistent with typically required credit enhancements in other rate reduction bond transactions and are the same as authorized in Boston Edison's prior rate reduction bond transaction (D.T.E. 98-118). Please see the financing orders contained in the response to Information Request AG-1-6, Attachment AG-1-6 (BULK).

Information Request DTE-1-6

Refer to Exhibit NSTAR-GOL at 6, lines 14-16. Provide the total dollar amount of the securitization represented by the "remaining fixed access charge and the incentive mitigation from the prior PPA buyouts of Lowell, Pilgrim and Seabrook."

Response

The dollar amount of the "remaining fixed access charge and the incentive mitigation from the prior PPA buyouts of Lowell, Pilgrim and Seabrook" securitization is \$14.284 million and the savings resulting there from are \$0.577 million.

Attached are the following exhibits calculating the securitization amount and the savings from the securitization of the above items and excluding the securitization of the deferral:

- | | |
|--|---|
| Attachment DTE-1-6(a) | Exhibit NSTAR-COM-GOL-1 showing the securitization amount of \$14.284 million on Page 1 line 10. |
| Attachment DTE-1-6(b) | Exhibit NSTAR-COM-GOL-2 showing the present value of the customer savings as \$0.577 million on the bottom line Col. D. |
| Attachment DTE-1-6(c)
CONFIDENTIAL | Exhibit NSTAR-COM-GOL-4 CONFIDENTIAL showing the transition charge calculation after the securitization. The securitization payments are reflected on page 5, column E2. |

Please note that Exhibit NSTAR-COM-GOL-3 **CONFIDENTIAL** was not changed from the initial filing and is thus not included in the response to this information request.

Deferral Securitization amount

<u>Line</u>	<u>Description</u>	<u>Com</u>	<u>Reference</u>
1	Transition Charge deferral balance 12/31/2004		Exh. NSTAR-COM-GOL-3 Page 1
2	January to March 2005 Interest	-	Line 1 * 1.65% / 4
3	PV of Fixed Cash Flow items	15.651	Cost of PPA sale & filing
4	Total	\$ 15.651	Sum of Line 1 thru Line 3
5	Less PV Tax Shield from the Buyout and Make Whole	(6.087)	Page 2 Line 1 Col. C
6	Less PV of the Tax Shield from the Issuance Cost	(0.046)	Page 2 Line 1 Col. D
7	Plus PV of Tax paid on Revenues of Principal	4.623	Page 2 Line 1 Col. E
8	Subtotal	\$ 14.141	Sum of Line 4 thru Line 7
9	Plus Issuance Cost (1% of Securitized balance)	0.143	Line 8 * 1% / 99%
10	Securitization Total	\$ 14.284	Line 8 + Line 9

Monthly Cash flows from the securitization

\$ in Millions

Line	4.5% Col. A	Deferral Tax Shield Tax Shield Tax Shield				Principal Col. F	Interest Col. G	Payment Col. H	Balance Securitization Col. I
		Col. B	Col. C	Col. D	Col. E				
1	NPV at 4.5%	\$ 15.651	\$ (6.087)	\$ (0.046)	\$ 4.623	\$ 11.977	\$ 2.307	\$ 14.284	\$ 14.284
2	Mar-05	\$ -							\$ 14.284
3	Apr-05	0.207	(0.048)	(0.000)	0.035	0.149	0.054	0.202	14.135
4	May-05	0.207		-	-	0.149	0.053	0.202	13.986
5	Jun-05	0.207	(0.030)	(0.000)	0.022	0.149	0.052	0.201	13.837
6	Jul-05	0.207		-	-	0.149	0.052	0.201	13.689
7	Aug-05	0.207		-	-	0.149	0.051	0.200	13.540
8	Sep-05	0.207	(0.030)	(0.000)	0.022	0.149	0.051	0.200	13.391
9	Oct-05	0.207		-	-	0.149	0.050	0.199	13.242
10	Nov-05	0.207		-	-	0.149	0.050	0.198	13.093
11	Dec-05	0.207	(0.621)	(0.004)	\$ 0.447	\$ 0.149	\$ 0.049	\$ 0.198	\$ 12.945
12	Jan-06	0.193		-	-	0.149	0.049	0.197	12.796
13	Feb-06	0.193		-	-	0.149	0.048	0.197	12.647
14	Mar-06	0.193	(0.060)	(0.000)	0.046	0.149	0.047	0.196	12.498
15	Apr-06	0.193		-	-	0.149	0.047	0.196	12.349
16	May-06	0.193		-	-	0.149	0.046	0.195	12.201
17	Jun-06	0.193	(0.038)	(0.000)	0.029	0.149	0.046	0.195	12.052
18	Jul-06	0.193		-	-	0.149	0.045	0.194	11.903
19	Aug-06	0.193		-	-	0.149	0.045	0.193	11.754
20	Sep-06	0.193	(0.038)	(0.000)	0.029	0.149	0.044	0.193	11.606
21	Oct-06	0.193		-	-	0.149	0.044	0.192	11.457
22	Nov-06	0.193		-	-	0.149	0.043	0.192	11.308
23	Dec-06	0.193	(0.775)	(0.006)	\$ 0.596	\$ 0.149	\$ 0.042	\$ 0.191	\$ 11.159
24	Jan-07	0.190		-	-	0.149	0.042	0.191	11.010
25	Feb-07	0.190		-	-	0.149	0.041	0.190	10.862
26	Mar-07	0.190	(0.059)	(0.000)	0.046	0.149	0.041	0.190	10.713
27	Apr-07	0.190		-	-	0.149	0.040	0.189	10.564
28	May-07	0.190		-	-	0.149	0.040	0.188	10.415
29	Jun-07	0.190	(0.037)	(0.000)	0.029	0.149	0.039	0.188	10.266
30	Jul-07	0.190		-	-	0.149	0.038	0.187	10.118
31	Aug-07	0.190		-	-	0.149	0.038	0.187	9.969
32	Sep-07	0.190	(0.037)	(0.000)	0.029	0.149	0.037	0.186	9.820
33	Oct-07	0.190		-	-	0.149	0.037	0.186	9.671
34	Nov-07	0.190		-	-	0.149	0.036	0.185	9.522
35	Dec-07	0.190	(0.761)	(0.006)	\$ 0.596	\$ 0.149	\$ 0.036	\$ 0.184	\$ 9.374
36	Jan-08	0.179		-	-	0.149	0.035	0.184	9.225
37	Feb-08	0.179		-	-	0.149	0.035	0.183	9.076
38	Mar-08	0.179	(0.056)	(0.000)	0.046	0.149	0.034	0.183	8.927
39	Apr-08	0.179		-	-	0.149	0.033	0.182	8.779
40	May-08	0.179		-	-	0.149	0.033	0.182	8.630
41	Jun-08	0.179	(0.035)	(0.000)	0.029	0.149	0.032	0.181	8.481
42	Jul-08	0.179		-	-	0.149	0.032	0.181	8.332
43	Aug-08	0.179		-	-	0.149	0.031	0.180	8.183
44	Sep-08	0.179	(0.035)	(0.000)	0.029	0.149	0.031	0.179	8.035
45	Oct-08	0.179		-	-	0.149	0.030	0.179	7.886
46	Nov-08	0.179		-	-	0.149	0.030	0.178	7.737
47	Dec-08	0.179	(0.718)	(0.006)	\$ 0.596	\$ 0.149	\$ 0.029	\$ 0.178	\$ 7.588
48	Jan-09	0.188		-	-	0.149	0.028	0.177	7.439
49	Feb-09	0.188		-	-	0.149	0.028	0.177	7.291
50	Mar-09	0.188	(0.059)	(0.000)	0.046	0.149	0.027	0.176	7.142
51	Apr-09	0.188		-	-	0.149	0.027	0.176	6.993
52	May-09	0.188		-	-	0.149	0.026	0.175	6.844
53	Jun-09	0.188	(0.037)	(0.000)	0.029	0.149	0.026	0.174	6.696
54	Jul-09	0.188		-	-	0.149	0.025	0.174	6.547
55	Aug-09	0.188		-	-	0.149	0.025	0.173	6.398
56	Sep-09	0.188	(0.037)	(0.000)	0.029	0.149	0.024	0.173	6.249
57	Oct-09	0.188		-	-	0.149	0.023	0.172	6.100
58	Nov-09	0.188		-	-	0.149	0.023	0.172	5.952
59	Dec-09	0.188	(0.751)	(0.006)	\$ 0.596	\$ 0.149	\$ 0.022	\$ 0.171	\$ 5.803
60	Jan-10	0.127		-	-	0.149	0.022	0.171	5.654
61	Feb-10	0.127		-	-	0.149	0.021	0.170	5.505
62	Mar-10	0.127	(0.040)	(0.000)	0.046	0.149	0.021	0.169	5.356
63	Apr-10	0.127		-	-	0.149	0.020	0.169	5.208
64	May-10	0.127		-	-	0.149	0.020	0.168	5.059
65	Jun-10	0.127	(0.025)	(0.000)	0.029	0.149	0.019	0.168	4.910
66	Jul-10	0.127		-	-	0.149	0.018	0.167	4.761
67	Aug-10	0.127		-	-	0.149	0.018	0.167	4.612
68	Sep-10	0.127	(0.025)	(0.000)	0.029	0.149	0.017	0.166	4.464
69	Oct-10	0.127		-	-	0.149	0.017	0.166	4.315
70	Nov-10	0.127		-	-	0.149	0.016	0.165	4.166
71	Dec-10	0.127	(0.508)	(0.006)	\$ 0.596	\$ 0.149	\$ 0.016	\$ 0.164	\$ 4.017
72	Jan-11	0.100		-	-	0.149	0.015	0.164	3.869
73	Feb-11	0.100		-	-	0.149	0.015	0.163	3.720
74	Mar-11	0.100	(0.031)	(0.000)	0.046	0.149	0.014	0.163	3.571
75	Apr-11	0.100		-	-	0.149	0.013	0.162	3.422
76	May-11	0.100		-	-	0.149	0.013	0.162	3.273
77	Jun-11	0.100	(0.020)	(0.000)	0.029	0.149	0.012	0.161	3.125

Monthly Cash flows from the securitization
\$ in Millions

Line	4.5% Col. A	Deferral Col. B	Tax Shield Deferral Col. C	Tax Shield Issuance 0.143 Col. D	Tax Shield Principal Col. E	Principal Col. F	Interest Col. G	Payment Col. H	Balance Securitization Col. I
78	Jul-11	0.100		-	-	0.149	0.012	0.161	2.976
79	Aug-11	0.100		-	-	0.149	0.011	0.160	2.827
80	Sep-11	0.100	(0.020)	(0.000)	0.029	0.149	0.011	0.159	2.678
81	Oct-11	0.100		-	-	0.149	0.010	0.159	2.529
82	Nov-11	0.100		-	-	0.149	0.009	0.158	2.381
83	Dec-11	0.100	(0.402)	(0.006)	\$ 0.596	\$ 0.149	\$ 0.009	\$ 0.158	\$ 2.232
84	Jan-12	0.087		-	-	0.149	0.008	0.157	2.083
85	Feb-12	0.087		-	-	0.149	0.008	0.157	1.934
86	Mar-12	0.087	(0.027)	(0.000)	0.046	0.149	0.007	0.156	1.785
87	Apr-12	0.087		-	-	0.149	0.007	0.155	1.637
88	May-12	0.087		-	-	0.149	0.006	0.155	1.488
89	Jun-12	0.087	(0.017)	(0.000)	0.029	0.149	0.006	0.154	1.339
90	Jul-12	0.087		-	-	0.149	0.005	0.154	1.190
91	Aug-12	0.087		-	-	0.149	0.004	0.153	1.042
92	Sep-12	0.087	(0.017)	(0.000)	0.029	0.149	0.004	0.153	0.893
93	Oct-12	0.087		-	-	0.149	0.003	0.152	0.744
94	Nov-12	0.087		-	-	0.149	0.003	0.152	0.595
95	Dec-12	0.087	(0.348)	(0.006)	\$ 0.596	\$ 0.149	\$ 0.002	\$ 0.151	\$ 0.446
96	Jan-13	0.038		-	-	0.149	0.002	0.150	0.298
97	Feb-13	0.038		-	-	0.149	0.001	0.150	0.149
98	Mar-13	0.038	(0.012)	(0.002)	\$ 0.175	0.149	0.001	0.149	-
99	Apr-13	0.038							
100	May-13	0.038							
101	Jun-13	0.038	(0.007)						
102	Jul-13	0.038							
103	Aug-13	0.038							
104	Sep-13	0.038	(0.007)						
105	Oct-13	0.038							
106	Nov-13	0.038							
107	Dec-13	0.038	(0.152)						
108	Jan-14	0.044							
109	Feb-14	0.044							
110	Mar-14	0.044	(0.014)						
111	Apr-14	0.044							
112	May-14	0.044							
113	Jun-14	0.044	(0.009)						
114	Jul-14	0.044							
115	Aug-14	0.044							
116	Sep-14	0.044	(0.009)						
117	Oct-14	0.044							
118	Nov-14	0.044							
119	Dec-14	0.044	(0.176)						
120	Jan-15	0.043							
121	Feb-15	0.043							
122	Mar-15	0.043	(0.013)						
123	Apr-15	0.043							
124	May-15	0.043							
125	Jun-15	0.043	(0.008)						
126	Jul-15	0.043							
127	Aug-15	0.043							
128	Sep-15	0.043	(0.008)						
129	Oct-15	0.043							
130	Nov-15	0.043							
131	Dec-15	0.043	(0.172)						
132	Jan-16	0.031							
133	Feb-16	0.031							
134	Mar-16	0.031	(0.010)						
135	Apr-16	0.031							
136	May-16	0.031							
137	Jun-16	0.031	(0.006)						
138	Jul-16	0.031							
139	Aug-16	0.031							
140	Sep-16	0.031	(0.006)						
141	Oct-16	0.031							
142	Nov-16	0.031							
143	Dec-16	0.031	(0.122)						
144	Jan-17	0.037							
145	Feb-17	0.037							
146	Mar-17	0.037	(0.012)						
147	Apr-17	0.037							
148	May-17	0.037							
149	Jun-17	0.037	(0.007)						
150	Jul-17	0.037							
151	Aug-17	0.037							
152	Sep-17	0.037	(0.007)						
153	Oct-17	0.037							
154	Nov-17	0.037							

Monthly Cash flows from the securitization

\$ in Millions

Line	4.5% Col. A	Deferral Col. B	Tax Shield Deferral Col. C	Tax Shield Issuance 0.143 Col. D	Tax Shield Principal Col. E	Principal Col. F	Interest Col. G	Payment Col. H	Balance Securitization Col. I
155	Dec-17	0.037	(0.149)						
156	Jan-18	0.036							
157	Feb-18	0.036							
158	Mar-18	0.036	(0.011)						
159	Apr-18	0.036							
160	May-18	0.036							
161	Jun-18	0.036	(0.007)						
162	Jul-18	0.036							
163	Aug-18	0.036							
164	Sep-18	0.036	(0.007)						
165	Oct-18	0.036							
166	Nov-18	0.036							
167	Dec-18	0.036	(0.145)						
168	Jan-19	0.027							
169	Feb-19	0.027							
170	Mar-19	0.027	(0.008)						
171	Apr-19	0.027							
172	May-19	0.027							
173	Jun-19	0.027	(0.005)						
174	Jul-19	0.027							
175	Aug-19	0.027							
176	Sep-19	0.027	(0.005)						
177	Oct-19	0.027							
178	Nov-19	0.027							
179	Dec-19	0.027	(0.108)						
180	Jan-20	0.035							
181	Feb-20	0.035							
182	Mar-20	0.035	(0.011)						
183	Apr-20	0.035							
184	May-20	0.035							
185	Jun-20	0.035	(0.007)						
186	Jul-20	0.035							
187	Aug-20	0.035							
188	Sep-20	0.035	(0.007)						
189	Oct-20	0.035							
190	Nov-20	0.035							
191	Dec-20	0.035	(0.140)						
192	Jan-21	0.034							
193	Feb-21	0.034							
194	Mar-21	0.034	(0.011)						
195	Apr-21	0.034							
196	May-21	0.034							
197	Jun-21	0.034	(0.007)						
198	Jul-21	0.034							
199	Aug-21	0.034							
200	Sep-21	0.034	(0.007)						
201	Oct-21	0.034							
202	Nov-21	0.034							
203	Dec-21	0.034	(0.138)						
204	Jan-22	0.025							
205	Feb-22	0.025							
206	Mar-22	0.025	(0.008)						
207	Apr-22	0.025							
208	May-22	0.025							
209	Jun-22	0.025	(0.005)						
210	Jul-22	0.025							
211	Aug-22	0.025							
212	Sep-22	0.025	(0.005)						
213	Oct-22	0.025							
214	Nov-22	0.025							
215	Dec-22	0.025	(0.100)						
216	Jan-23	0.034							
217	Feb-23	0.034							
218	Mar-23	0.034	(0.011)						
219	Apr-23	0.034							
220	May-23	0.034							
221	Jun-23	0.034	(0.007)						
222	Jul-23	0.034							
223	Aug-23	0.034							
224	Sep-23	0.034	(0.007)						
225	Oct-23	0.034							
226	Nov-23	0.034							
227	Dec-23	0.034	(0.135)						
228	Jan-24	0.034							
229	Feb-24	0.034							
230	Mar-24	0.034	(0.011)						
231	Apr-24	0.034							

Monthly Cash flows from the securitization
\$ in Millions

Line	4.5% Col. A	Deferral	Tax Shield Deferral	Tax Shield Issuance	Tax Shield Principal	Principal	Interest	Payment	Balance Securitization
		Col. B	Col. C	0.143 Col. D	Col. E	Col. F	Col. G	Col. H	Col. I
232	May-24	0.034							
233	Jun-24	0.034	(0.007)						
234	Jul-24	0.034							
235	Aug-24	0.034							
236	Sep-24	0.034	(0.007)						
237	Oct-24	0.034							
238	Nov-24	0.034							
239	Dec-24	0.034	(0.135)						
240	Jan-25	0.022							
241	Feb-25	0.022							
242	Mar-25	0.022	(0.007)						
243	Apr-25	0.022							
244	May-25	0.022							
245	Jun-25	0.022	(0.004)						
246	Jul-25	0.022							
247	Aug-25	0.022							
248	Sep-25	0.022	(0.004)						
249	Oct-25	0.022							
250	Nov-25	0.022							
251	Dec-25	0.022	(0.088)						
252	Jan-26	0.029							
253	Feb-26	0.029							
254	Mar-26	0.029	(0.009)						
255	Apr-26	0.029							
256	May-26	0.029							
257	Jun-26	0.029	(0.006)						
258	Jul-26	0.029							
259	Aug-26	0.029							
260	Sep-26	0.029	(0.006)						
261	Oct-26	0.029							
262	Nov-26	0.029							
263	Dec-26	0.029	(0.115)						
264	Undisc. Total	\$ 20.248	\$ (7.942)	\$ (0.056)	\$ 5.603	\$ 14.284	\$ 2.598	\$ 16.882	
265	Unrecovered Taxes				(0.000)				

Deferral Securitization amount

<u>Line</u>	<u>Description</u>	<u>Total</u>	<u>Source/Reference</u>
	Col. A	Col. B	
1	State Tax Rate	6.50%	
2	Percentage Payment by quarter - State Taxes		
3	15-Mar		40% Line 5 * Col. B
4	15-Jun		25% Line 5 * Col. B
5	15-Sep		25% Line 5 * Col. B
6	15-Dec		10% Line 5 * Col. B
7			
8	Federal Tax Rate	35.00%	
9	Effective Tax Rate	39.225% (1 - 6.5%) * 35% + 6.5%	
10	Effective Federal Tax Rate	32.725% line 24 minus State tax rate of 6.5%	

Deferral Securitization amount

Line #	Year Col. A	Securitization Payments Col. B	
1	Apr '05 - Dec '05	\$	1,801
2	2006		2,331
3	2007		2,251
4	2008		2,170
5	2009		2,090
6	2010		2,010
7	2011		1,929
8	2012		1,849
9	2013		0,450
10	Total	\$	16,882

Note:

Col. B from Pages 2 thru 5, Column H.

Col. B to Exhibit NSTAR-COM-GOL-4, Page 5, Column E2.

Monthly "Other" to be securitized

Ref to NSTAR-COM-GOL-3	Net Fixed		Fixed Component		Cogen.		Contract		Seabrook		Seabrook		Monthly Total
	Component		Component		Buyout		Buyout		Buydown		Buyout		
	Col. H Page 3	Col. B Page 3	Col. G Page 5	Col. C Page 5	Col. H Page 5	Col. D Page 5	Col. I Page 5	Col. E Page 5	Col. J Page 5	Col. F Page 5	Col. K Page 5	Col. L Page 5	
Col.A	Col.B	Col.C	Col.D	Col.E	Col.F	Col.G	Col.H	Col.I	Col.J	Col.K	Col.L	Col.M	
2005	0.458	0.226	0.419	0.712	0.483	0.182	2.480					0.207	
2006	0.418	0.221	0.430	0.604	0.468	0.180	2.321					0.193	
2007	0.382	0.216	0.439	0.687	0.456	0.101	2.281					0.190	
2008	0.343	0.211	0.447	0.549	0.441	0.161	2.152					0.179	
2009	0.305	0.206	0.464	0.677	0.427	0.172	2.251					0.188	
2010	-	-	0.476	0.548	0.414	0.083	1.521					0.127	
2011	-	-	-	0.647	0.400	0.158	1.205					0.100	
2012	-	-	-	0.492	0.385	0.165	1.042					0.087	
2013	-	-	-	-	0.374	0.081	0.455					0.038	
2014	-	-	-	-	0.359	0.168	0.527					0.044	
2015	-	-	-	-	0.345	0.169	0.514					0.043	
2016	-	-	-	-	0.333	0.033	0.366					0.031	
2017	-	-	-	-	0.319	0.127	0.446					0.037	
2018	-	-	-	-	0.303	0.131	0.434					0.036	
2019	-	-	-	-	0.293	0.031	0.324					0.027	
2020	-	-	-	-	0.277	0.141	0.418					0.035	
2021	-	-	-	-	0.262	0.151	0.413					0.034	
2022	-	-	-	-	0.252	0.047	0.299					0.025	
2023	-	-	-	-	0.236	0.169	0.405					0.034	
2024	-	-	-	-	0.219	0.185	0.404					0.034	
2025	-	-	-	-	0.204	0.061	0.265					0.022	
2026	-	-	-	-	0.185	0.160	0.345					0.029	

Note
Column H is the sum of columns B through G
Column I is column H divided by 12

<u>Year</u>	<u>Base Case Revenues</u> Col.B	<u>Deferral Securitization Revenues</u> Col.C	<u>Customer Savings</u> Col.D
Col.A			
2004	\$ 74,654	\$ 74,654	\$ -
2005	174,902	174,902	\$ -
2006	178,400	178,400	\$ -
2007	138,765	138,708	\$ 0.056
2008	98,448	98,466	\$ (0.018)
2009	76,608	76,447	\$ 0.161
2010	76,096	76,585	\$ (0.489)
2011	75,796	76,520	\$ (0.724)
2012	76,565	77,372	\$ (0.807)
2013	74,217	74,212	\$ 0.005
2014	76,517	75,990	\$ 0.527
2015	75,539	75,025	\$ 0.514
2016	58,196	57,830	\$ 0.366
2017	14,584	14,138	\$ 0.446
2018	5,357	4,923	\$ 0.434
2019	5,094	4,770	\$ 0.324
2020	5,030	4,612	\$ 0.418
2021	5,321	4,908	\$ 0.413
2022	2,803	2,504	\$ 0.299
2023	1,160	0.755	\$ 0.405
2024	0.404	-	\$ 0.404
2025	0.265	-	\$ 0.265
2026	0.345	-	\$ 0.345
Total	\$ 1,295.065	\$ 1,291.720	\$ 3.345
8.200%	\$ 891.737	\$ 891.160	\$ 0.577

Discounted at Commonwealth After Tax Discount Rate
used in the Company's Restructuring Filing

Information Request DTE-1-7

Refer to Exhibit NSTAR-GOL-I. For the savings row of the table, please break out the percentage of: (a) savings due to the purchase power contract savings, and (b) savings due to the securitization.

Response

Please see the response to Information Request DTE-1-8.

Information Request DTE-1-8

Refer to Exhibit NSTAR-GOL-1. Of the total savings of \$114 million, please complete the following table:

	04-61	04-78	04-70	Total
Power Savings				
Securitization Savings				
Total Savings				

Response

As stated previously by Mr. Lubbock in the related review of the MASSPOWER and Dartmouth PPAs, D.T.E. 04-61 and D.T.E. 04-78, respectively, there is no simple or accurate breakdown between the savings resulting from the securitization and the savings resulting from the termination payments (Tr. at 92-93, 96-97 [D.T.E. 04-61]; Tr. at 55-57 [D.T.E. 04-78]). The two are inexorably intertwined in the termination agreements, especially since the agreements are both contingent on being securitized.

The MASSPOWER and Dartmouth termination agreements were structured as and are contingent on Department approval of securitized financing because they represent huge outlays of cash that need to be financed over time. The provisions of the recovery of above-market PPAs in the variable components of the transition charge in the Boston Edison Restructuring Settlement and the Commonwealth Restructuring Plan were predicated on the annual recovery of such above-market costs from customers in a short time (the annual reconciliation period). A lump-sum termination essentially liquidates future above-market amounts, but its recovery over an annual reconciliation period would result in a significant price increase or rate shock, which would likely violate the Department's rate-design objective of rate continuity. The alternative would be for NSTAR Electric to finance the termination and collect the amount over time. Because the provisions of the Commonwealth Restructuring Plan and Boston Edison Restructuring Settlement are not designed for long-term deferrals of liquidated variable transition costs, they are not structured for the financing of a termination payment. As explained in the response to Information Request DTE-1-15, the carrying charges on deferred transition costs are vastly different. The Commonwealth carrying charge is designed for very short-term transactions and the Boston Edison carrying charge is

based on long-term transactions, but with a very low return on equity of 7.99 percent (Boston Edison Settlement Agreement page 254). Moreover, neither mechanism is appropriately adjusted for deferred income taxes.

Absent the linkage between these termination payments and the statutory securitization mechanism, an accurate determination of "Power Savings" would require a separate determination of customer impacts of the termination payments in the absence of securitization.¹ One issue that makes such a determination difficult is the need to develop a new carrying-charge mechanism appropriate for compensation of the costs to provide the non-securitized financing. This calculation would need to include the costs of restructuring the financing of both companies, including the Commonwealth make-whole provision. It is this alternative financing cost that is especially difficult to estimate (Tr. at 57 [D.T.E. 04-78]).

An approximation of the requested break-down of the savings can be determined by using Mr. Hevert's calculation of the reduction in the NPV of above-market costs as a proxy for the contract savings, assuming that there is no financing – either through securitization or through a non-securitized financing. This simplified approach provides an order of magnitude of the two savings components and are provided in attachment DTE-1-8 (**CONFIDENTIAL**).

¹

As indicated above, because the MASSPOWER and Dartmouth termination agreements are contingent on approval of securitization, it is impossible to speculate about the terms of a non-securitized termination, or even whether it would have been possible to negotiate the termination of these PPAs without the ability to securitize the payments.

Information Request DTE-1-9

Refer to Exhibit NSTAR-GOL at 17. Explain whether the break-even interest rates (e.g., 9.1 percent; 8.4 percent; 7.9 percent) calculation includes savings from the purchase power contracts.

Response:

Yes, the calculation includes savings from the purchased power contracts. For the calculation, please see the response to Information Request DTE-1-14.

Information Request DTE-1-10

Refer to the Exh. NSTAR-GOL-1, Securitization Amounts and Securitization Savings. Please provide all updated amounts for each column and row, and include an additional row titled "Without Securitization Amounts." The costs in this row shall be the costs of the buyouts assuming securitization is not available. Calculate the row "Securitization Savings" by subtracting the amounts of the row "Securitization Amounts" from the row "Without Securitization Amounts." Include additional attachments to break down each amount of the revised Exhibit NSTAR-GOL-1 showing that these amounts are the summation of the amounts provided in the attachments.

Response:

Please see the response to Information Request DTE-1-8.

Information Request DTE-1-11

Refer to IR-DTE 1-10. Please list all the costs included in the row "Securitization Amounts," and provide for each one the legal provision supporting its recovery.

Response

As provided in G.L. c. 164, § 1H(b)(1), an electric company is authorized to issue RRBs to securitize transition costs. Transition costs are defined in G.L. c. 164, § 1G(b)(1), which provides that an electric company may recover certain categories of costs. The costs included in the "Securitization Amounts" as filed in D.T.E. 04-61 (MASSPOWER), Exhibit NSTAR-GOL-2; D.T.E. 04-78 (Dartmouth), Exhibit NSTAR-GOL-2; and D.T.E. 04-70, Exhibit NSTAR-COM-GOL-1 are as follows:

- PPA termination amounts (net of tax impacts)
- Commonwealth Deferral balance at December 31 2004
- Make whole provision costs on outstanding debt
- Costs associated with the transactions, including consulting, legal and bond-issuance costs)

The above-market costs relating to the MASSPOWER and Dartmouth PPAs and the transition costs associated with the Commonwealth Deferral are presently being recovered from customers through the Transition Charge as approved by the Department. See e.g., the Boston Edison Settlement Agreement, approved by the Department in D.P.U./D.T.E. 96-23 and Commonwealth's Restructuring Plan approved by the Department in D.P.U./D.T.E. 97-111 and D.P.U./D.T.E. 97-111-A. Continued recovery of these costs have subsequently been acknowledged and approved in the annual reconciliation proceedings filed by NSTAR Electric. The termination payments and associated transaction costs necessary to achieve customer savings are under review and must be approved in D.T.E. 04-61 (MASSPOWER) and D.T.E. 04-78 (Dartmouth).

Information Request DTE-1-12

Refer to Exh. NSTAR-GOL, page 10 line 4, to page 11 line 2. Please explain the reasons why the Companies are requesting the following cost to be actual costs: the transaction costs of issuing the rate reduction bonds, ongoing transaction costs (other than legal and accounting fees and other miscellaneous fees), any required credit enhancement (collectively with the above transition costs, the "the actual reimbursable transition cost amounts").

Response

G.L. c. 164, §1G(a)(2) requires the Department to audit transition costs amounts periodically in order to compare "assumed" transition costs amounts to "actual" transition costs amounts. In the event that the assumed transition costs amounts exceed actual transition costs amounts, a company is required to provide a uniform rate credit to its customers. The transaction costs of issuing the rate reduction bonds, ongoing transaction costs (other than legal and accounting fees and other miscellaneous fees), and any required credit enhancement are all established pursuant to a rate schedule and will be set forth in the Issuance Advice Letters. All of these costs will have been reviewed by the Agencies as described in Exhibit NSTAR-EGO. Because all of these costs are fixed (for example, 0.5 percent of the initial principal amount of the RRBs) or actually known at that time (for example, the underwriting spread), there are no "assumed" amounts. All of these amounts will be known at the time of filing of the Issuance Advice Letter and cannot vary. As a result, there is no need for an audit to compare assumed to actual costs for these items.

Information Request DTE-1-13

Refer to Exh. NSTAR-GOL, page 11 line 16, to page 12 line 3. Please explain how the Companies will provide to the ratepayers the uniform rate credit as it is determined in G.L. c. 164, § 1G(a)(2).

Response

In the event that assumed transition costs amounts included in the financing order exceed actual transition costs amounts, a company will have, in essence, issued more rate reduction bonds than is necessary. However, because the structure of the rate reduction bonds would not work if the RTC Charge could be reduced as a result of this over issuance, G.L. c. 164, § 1G(a)(2) provides for a uniform rate credit to customers in the amount of the excess transition costs amounts, plus a carrying charge. The uniform rate credit is provided to customers against rates other than the RTC Charge.

Information Request DTE-1-14

Refer to Exh. NSTAR-GOL, page 16 line 16, to page 17 line 21. Please provide the assumptions and calculations for:

- A) The coupon rate (the securitization rate) of 4.5 percent that is used to calculate the net present values of DTE 1-10, row "Securitization Amounts."
- B) The break-even rate for MASSPOWER
- C) The break-even rate for Dartmouth.
- D) The break-even rate for the securitization of the deferral.

Response

CONFIDENTIAL ATTACHMENTS

Attachment DTE-1-14 (**CONFIDENTIAL**) provides the requested calculations, with appropriate record citations for the break-even references. Page 1 of Attachment DTE-1-14 (**CONFIDENTIAL**) computes the break-even amounts contained in the initial filing and page 2 of Attachment DTE-1-14 (**CONFIDENTIAL**) computes the break-even amounts for MASSPOWER and Dartmouth using updated savings projections filed in D.T.E. 04-61 and D.T.E. 04-78, respectively.

- A) The coupon rate (the securitization rate) of 4.5 percent was the approximate market rate at the time the filings were being prepared at which the rate reduction bonds would be issued assuming a closing in the first quarter 2005. This rate was provided by the investment bankers with whom NSTAR Electric and the Agencies have consulted, and is based on the investment bankers' analysis of market rates for similar securities.
- B) The breakeven rate for MASSPOWER was 9.7 percent in the original filing as shown on page 1 of Attachment DTE-1-14 (**CONFIDENTIAL**), increasing to 11.8 percent in the latest update shown on page 2.
- C) The breakeven rate for Dartmouth was 8.8 percent in the original filing as shown on page 1 of Attachment DTE-1-14 (**CONFIDENTIAL**), decreasing to 6.4 percent in the latest update shown on page 2.
- D) The breakeven rate for Deferral Securitization was 7.8 percent in the original filing as shown on pages 1 and 2 of Attachment DTE-1-14 (**CONFIDENTIAL**). There is no update to this number.

NSTAR Electric
Department of Telecommunications and Energy
D.T.E. 04-70
Information Request: **DTE-1-14**
November 26, 2004
Person Responsible: Geoffrey O. Lubbock
Page 2 of 2

The method of calculation was explained in Exhibit NSTAR-GOL, page 17, lines 7 to 9, with the details in Attachment DTE-1-14 (**CONFIDENTIAL**). The amounts listed Exhibit NSTAR-GOL, page 17, lines 10, 16 and 19 are slightly different from those stated above for the initial filing. Exhibit NSTAR-GOL was in error.

Information Request DTE-1-15

Refer to Exh. NSTAR-GOL, page 28 line 19, to page 29 line 21. Please explain if the level of savings proposed in the present filing, in accordance with G.L. c. 164, § 1H, would be affected by the RTC Charge increase, as a result of the True-Up Advice Letter. Explain how the Companies plan to keep such level of savings consistent with G.L. c. § 164 1H. In addition, identify other components of the transition charge that would be deferred, and explain how the carrying charges would be calculated.

Response

The level of savings proposed by the present filing would not change as a result of the true-up advice letter.

As stated in Exhibit NSTAR-GOL, page 28, line 23 through page 29 line 2, “[t]he amount applicable to the RTC Charge will change, and the other components will be adjusted so that the overall transition charge will remain the same.”

The rate to collect the Access Charge cost each year is a forecast based on the expected kilowatt-hour (“kWh”) sales. Similarly the rate to collect the RTC charge is a forecast based on the expected kWh sales. Generally, the forecast is accurate to within 1 percent to 2 percent of the actual sales, so the adjustment is slight.

Although the RTC adjustment does not change, the transition charge, the difference between forecast and actual sales (or indeed forecast and actual costs for purchased power contracts or any of the other variable cost component shown on page 4 of the GOL-3 and 4 exhibits) does result in an over- or under-collection each year of the total transition charge. These over- or under-collections are not specifically attributed to transition charge components in the filings. Rather the amounts are shown as over- or under-collections of the transition charge on Page 1, column K of the GOL-3 and 4 exhibits.

Historically, Boston Edison has over-collected and pays customers 10.88 percent each year on the balance of the over-collection account¹.

¹ Boston Edison Settlement Agreement Page 239:
“2.9(f) Annual Pre-tax Carrying Charge Component (Schedule 2, Page 2, Col. G) is the balance of the prior year in the account as shown in Col. I multiplied by the Carrying Charge Rate shown on Schedule 1, Page 14, as updated by Sections 1.2 and 1.7.”

Historically, Commonwealth has under-collected and is paid by customers the customer deposit rate - currently 1.65 percent - in the balance of the under-collection.²

² D.P.U./D.T.E. 97-111, at 75-77 (1998) ("the Department directs [Commonwealth] to use the interest rate used for customer deposits for application to the balance in the reconciliation account").

Information Request DTE-1-16

Refer to the Exhibit NSTAR-GOL, page 29, lines 18 to 21. The Company states "...the portion of such other rate or charge that is not collected on a current basis would be deferred at the carrying charge from time to time in effect applicable to that portion of the transition charge not constituting the RTC Charge." Please identify the possible other rates or charges that would be deferred. Provide an estimation of the amount to be deferred with the respective carrying charges. Discuss how these costs should be added to the Securitization Amounts to calculate the actual savings for customers.

Response

The quoted testimony refers in particular to the deferral of charges caused by the statutory requirement that rates for customers of Standard Offer Service be reduced by 15 percent, on an inflation-adjusted basis¹. Currently, there is no expectation that this cap will be extended beyond February 28, 2005 so there is little likelihood that the need for deferral will occur. If no cap exists and the Department approves recovery of the full transition charge, there is no deferred recovery.

If a cap beyond February 28, 2005 caused deferrals, NSTAR Electric would continue its practice of deferring the Access Charge to meet the cap. Please see the response to Information Request DTE-1-15.

¹ Exhibit NSTAR-GOL, page 29, lines 8 through 15 states: "if adjustments to the transition charge necessary to meet rate reduction required under G.L. c. 164, § 1[B(b)] in effect through February 28, 2005, or any continuation of the, or a similarly required, rate reduction as a result of any subsequent or successor legislation, would cause the transition charge of a Company to fall below the required RTC Charge for its SPE's Debt Securities, as of the time of the RTC Charge adjustment, components of such Company's rate and charges, other than the RTC Charge, would be adjusted as necessary to satisfy such rate reduction requirement."

Information Request DTE-1-17

Refer to Exh. NSTAR-EGO, page 17 line 3, to page 18 line 15. Please explain the effect of the "True-Up Advice Letters" and the "Non-Routine True-Up Letters" on the estimated savings proposed in the present filing consistent with G.L. c. 164, § 1H.

Response

There is no impact on the estimated savings. Please see the responses to Information Request DTE-1-15 and Information Request DTE-1-16.